

## Auditing Procedures Report

issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>ANTRIM COUNTY ROAD COMMISSION</b>	County <b>ANTRIM</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>2/21/05</b>	Date Accountant Report Submitted to State: <b>6/16/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943 as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>THOMAS R ZICK CPA, P C</b>			
Street Address <b>P O BOX 149</b>	City <b>LEWISTON</b>	State <b>MI</b>	ZIP <b>49756</b>
Accountant Signature 		Date <b>6/16/05</b>	

ANTRIM COUNTY ROAD COMMISSION  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2004

ANTIM COUNTY  
BOARD OF COUNTY ROAD COMMISSIONERS

Jerome Dobrzelewski  
Commissioner

Jerroll Drenth  
Commissioner

Frederick Hunt  
Commissioner

ANTRIM COUNTY ROAD COMMISSION  
TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management Discussion and Analysis	3-8
<b><u>BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE/GOVERNMENTAL FUND FINANCIAL STATEMENTS</u></b>	
Statement of Net Assets	9
Statement of Activities	10
Balance Sheet	11
Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets	12
Statement of Revenues, Expenditures and Changes in Fund Balance	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	14
Notes to Financial Statements	15-24
<b><u>REQUIRED SUPPLEMENTAL INFORMATION</u></b>	
Statement of Revenues and Other Financing Sources Budgetary Comparison Schedule	25
Statement of Expenditures Budgetary Comparison Schedule	26
<b><u>SUPPLEMENTAL INFORMATION</u></b>	
Analysis of Changes in Fund Balances	27
Analysis of Revenues	28
Analysis of Expenditures	29
Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	30-31
Financial Audit Comments	32



**Thomas R. Zick CPA, P.C.**  
CERTIFIED PUBLIC ACCOUNTANT

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## INDEPENDENT AUDITOR'S REPORT

February 21, 2005

Board of County Road Commissioners  
Antrim County  
Mancelona, MI 49659

I have audited the accompanying basic financial statements of the Antrim County Road Commission, a component unit of Antrim County, Michigan, as of and for the year ended December 31, 2004 as listed in the Table of Contents. These basic financial statements are the responsibility of the Road Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Antrim County Road Commission as of December 31, 2004 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying required supplemental information and other supplemental information listed in the Table of Contents is presented for purposes of additional analysis and are not a required part of the basic financial statements of the Antrim County Road Commission. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for purposes of additional analysis and have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.

The management's discussion and analysis on pages 3-8 is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Page 2  
Antrim County Road Commission  
February 21, 2005

In accordance with Government Auditing Standards, I have also issued my report dated February 21, 2005, on my consideration of Antrim County Road Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

A handwritten signature in black ink, reading "Thomas R. Zick, CPA P.C." in a cursive style.

Thomas R. Zick CPA, P.C.  
Certified Public Accountant

## **ANTRIM COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Antrim County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the calendar year ended December 31, 2004. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Road Commission and present a longer-term view of the Road Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the road commission's operations in more detail than a government-wide financial statements.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an additional section that presents the operating fund broken down between primary, local and county funds. The basic financial statements include two types of statements that present different views of the Road Commission:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road commission's overall financial status. These statements report information about the Road Commission as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Road commission's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities—this is one way to measure the Road Commission's financial health or position.

The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail that the government-wide statements.

### **REPORTING THE COMMISSION AS A WHOLE**

#### **Government-Wide Statements**

The Statement of Net Assets and the Statement of Activities report information about the Road Commission, as a whole, and about its activities in a way that helps answer the question of whether the Road commission, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Road Commission's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two statements, mentioned above, report the road commission's net assets and how they have changed. The reader can think of the road commission's net assets (the difference between assets and liabilities) as one way to measure the road commission's financial health or financial position. Over time, increases or decreases in the road commission's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To access the overall health of the road commission you need to consider additional nonfinancial factors such as changes in the county's property tax base, the condition of the road commission's roads, and changes in the law related to the gas taxes and its distribution.

#### **Fund Financial Statements**

The road commission currently has only one fund, the general operations fund. All of the road commission's activities are accounted for in this fund. The general operations fund is a governmental fund type. Our analysis of the road commission's major fund begins on this page. The fund financial statements begin on page 11 and provide detailed information about the major fund.

**ANTRIM COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

Governmental funds focus on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the road commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the road commission's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in a reconciliation following the fund financial statements.

**FINANCIAL ANALYSIS OF THE ROAD COMMISSION AS A WHOLE**

The road commission's net assets increases 21.5% from \$5,875,169 to \$7,136,956 as of December 31, 2004. The net assets are summarized below.

**Net Assets**

Restricted net assets are those net assets that have constraints placed on them by either: a) by creditors, grantors, contributors, or laws or regulations of other governments; b) by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used for only the specific purpose stipulated in the legislation. As such all assets (except for assets invested in capital assets, net of related debt) are considered restricted.

The investment in capital assets, net of related debt, was \$3,956,418 at December 31, 2003 and \$5,879,837 as of December 31, 2004. The increase in net assets is primarily the result of capitalizing infrastructure of \$1,571,320 and equipment. The road commission will retroactively report infrastructure assets (assets acquired after 1980) in a subsequent year as permitted by Governmental Accounting Standards Board (GASB) Statement No. 34.

Net assets as of year ended December 31, 2004 and December 31, 2003

	12/31/04	12/31/03	Increase/ (Decrease)
Current and Other Assets	\$ 1,819,701	\$ 2,689,866	\$ (870,165)
Capital Assets (Net)	6,689,837	4,951,418	1,738,419
Total Assets	8,509,538	7,641,284	868,254
Long-Term Debt Outstanding	815,971	1,003,073	(187,102)
Other Liabilities	556,611	763,042	(206,431)
Total Liabilities	1,372,582	1,766,115	(393,533)
Net Assets			
Invested in Capital Assets Net of Related Debt	5,879,837	3,956,418	1,923,419
Restricted	1,257,119	1,918,751	(661,632)
Total Net Assets	<u>\$ 7,136,956</u>	<u>5,875,169</u>	<u>1,261,787</u>



**ANTRIM COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

Changes in Net Assets

A summary of changes in net assets follows:

	12/31/04	12/31/03	Increase/ (Decrease)
Revenues			
Licenses and Permits	\$ 36,527	\$ 39,106	\$ (2,579)
Federal Grants	918	241,559	(240,641)
State Grants	3,625,024	3,767,309	(142,285)
Contributions from Local Units	821,345	719,711	101,634
Reimbursements/Miscellaneous	100	238	(138)
Charges for Services	589,314	671,422	(82,108)
Interest and Rents	12,108	16,636	(4,528)
Gain on Equipment Disposal	4,000	28,000	(24,000)
Total Program Revenue	<u>5,089,336</u>	<u>5,483,981</u>	<u>(394,645)</u>
Expenditures			
Public Works	3,811,417	3,317,947	493,470
Interest Expense	16,132	6,827	9,305
Total Expenditures	<u>3,827,549</u>	<u>3,324,774</u>	<u>502,775</u>
Increase ( Decrease) in Net Assets	<u>\$ 1,261,787</u>	<u>\$ 2,159,207</u>	<u>\$ (897,420)</u>

The Road Commission's Fund

The road commission's general operations fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county which are earmarked by law for road and highway purposes.

A summary of changes in the Operating Fund is as follows:

	12/31/04	12/31/03	Increase/ (Decrease)
Revenues			
Licenses and Permits	\$ 36,527	\$ 39,106	\$ (2,579)
Federal Grants	918	241,559	(240,641)
State Grants	3,625,024	3,767,309	(142,285)
Contributions from Local Units	821,345	719,711	101,634
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**ANTRIM COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

	<u>12/31/04</u>	<u>12/31/03</u>	<u>Increase/ (Decrease)</u>
Expenditures			
Public Works	5,281,980	5,360,897	(78,917)
Net Capital Outlay	259,958	1,081,890	(821,932)
Interest Expense	199,998	6,827	193,171
Total Expenditures	<u>5,741,936</u>	<u>6,449,614</u>	<u>(707,678)</u>
Excess of Revenues Over (Under) Expenditures	(652,600)	(965,633)	313,033
Other Financing Sources (Uses)			
Bond Proceeds	-	995,000	(995,000)
Total Other Financing Sources	<u>-</u>	<u>995,000</u>	<u>(995,000)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and (Uses)	(652,600)	29,367	(681,967)
Fund Balance - January 1	2,111,824	1,847,140	264,684
Restatement to Beginning Fund Balance	<u>-</u>	<u>235,317</u>	<u>(235,317)</u>
Restated Fund Balance January 1	<u>2,111,824</u>	<u>2,082,457</u>	<u>29,367</u>
Fund Balance - December 31	<u>\$ 1,459,224</u>	<u>\$ 2,111,824</u>	<u>\$ (652,600)</u>

**BUDGETARY HIGHLIGHTS**

Prior to the beginning of any year, the road commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the road commission board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes large expenditures when requested throughout the year.

The final amended revenue budget for 2004 was \$20,000 lower than the original budget primarily due to a decrease in Federal projected revenue.

The final amended expenditure budget for 2004 was \$398,000 higher than the original budget primarily due to the road commission budgeting for additional capital outlay and an overall increase in State trunkline maintenance from the originally planned amount. The actual expenditures incurred during 2004 were less than the final amended budget by \$409,064. There was one unfavorable variance in expenditure line items.

**ANTRIM COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

Capital Assets

As of the respective year ends, the road commission had invested the following in net capital assets:

	12/31/04	12/31/03	Increase/ (Decrease)
Capital assets not being depreciated:			
Land and Improvements	\$ 58,250	\$ 58,250	\$ -
Infrastructure and Land Improvements	1,449,801	743,723	706,078
Subtotal	1,508,051	801,973	706,078
Capital assets being depreciated:			
Buildings	2,458,542	2,183,323	275,219
Equipment - Road	5,225,718	4,863,486	362,232
Equipment - Shop	113,687	112,209	1,478
Equipment - Office	104,317	104,317	-
Equipment - Engineering	46,423	46,423	-
Equipment - Yard & Storage	927,573	921,609	5,964
Infrastructure - Bridges	97,165	37,420	59,745
Infrastructure - Roads	2,108,335	1,299,838	808,497
Subtotal	11,081,760	9,568,625	1,513,135
Total Capital Assets	12,589,811	10,370,598	2,219,213
Total Accumulated Depreciation	5,899,974	5,419,180	480,794
Total Net Capital Assets	\$ 6,689,837	\$ 4,951,418	\$ 1,738,419

Debt related to capital assets – bonds \$ 810,000

The Road Commission capitalized infrastructure and related assets during the current year in the amount of \$1,574,320. The infrastructure recorded, during 2004 will be depreciated in following years. The infrastructure is financed through Federal, State and local contributions. The road commission will retroactively report infrastructure assets (assets acquired after 1980) in a subsequent year as permitted by GASB 34.

Major capital asset additions included the following by year:

	12/31/04	12/31/03	Increase/ (Decrease)
Building Renovation/Construction-Mancelona Garage	\$ 275,219	\$ 1,144,190	\$ (868,971)
Various Resurfacing Projects and Related Costs-Infrastructure	1,574,320	2,080,981	(506,661)
Trucks/Equipment	485,049	398,523	86,526
Total Additions	\$ 2,334,588	\$ 3,623,694	\$ (1,289,106)

There were no installment purchase agreements entered into during 2004. All the equipment was acquired with road commission funds.

**ANTRIM COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

Debt

At the year end, the road commission had \$810,000 in bonds, a decrease of \$185,000. The bonds are payable over a five year period with a final payment due June 1, 2008. Other long-term debt is accrued vacation and sick pay leave.

In 2005, the road commission does not anticipate borrowing or financing any debt related to the acquisition of capital assets.

Economic Factors and Next Year's Budget

The Board of County Road Commissioners, along with the road commission's fiscal and chief administrative officers, considered many factors when setting the calendar year 2005 budget. These factors included the economy, township contributions, interest rates and various others. We are projecting no increase in revenue over the year 2004, with an increase in expenses, primarily due to bond payments on the \$995,000 bonds sold to construct the new garage at the County Road Commission location in Mancelona.

This financial report is designed to provide the public, citizens and other interested parties a general overview of the road commission's finances and to show the road commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Antrim County Road Commission's administrative offices at 319 E. Lincoln St., Mancelona, MI 49659.

ANTRIM COUNTY ROAD COMMISSION  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2004

ASSETS

Cash demand and time deposits	\$ 585,958
Investments	115,281
Accounts receivable:	
Michigan Transportation Fund	509,127
State - Other	106,302
Due on County Road Agreements	2,354
Sundry Accounts	71,815
Inventories	
Road Materials	337,279
Equipment Parts and Materials	60,394
Prepaid expenses	31,191
Capital Assets (Net of Accumulated Depreciation)	<u>6,689,837</u>
 TOTAL ASSETS	 <u><u>\$ 8,509,538</u></u>

LIABILITIES

Current Liabilities	
Account payable	58,278
Accrued liabilities	21,391
Advances from governmental units	179,731
Deferred revenue - Forest Road Funds	102,211
Bonds payable	195,000
Noncurrent liabilities:	
Bonds payable	615,000
Vested employee benefits payable	<u>200,971</u>
 TOTAL LIABILITIES	 <u><u>1,372,582</u></u>

NET ASSETS

Invested in capital assets, net of related debt	5,879,837
Restricted for County Roads	<u>1,257,119</u>
 TOTAL NET ASSETS	 <u><u>\$ 7,136,956</u></u>

See Notes to Financial Statements

ANTRIM COUNTY ROAD COMMISSION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004

Program Expenses	
Primary Road Maintenance	\$ 1,009,342
Local Road Maintenance	1,822,389
Net Equipment Expense	6,209
Net Administrative Expense	298,352
State Trunkline Maintenance	571,368
Infrastructure Depreciation	95,859
Compensated Absences	7,898
Interest Expense	<u>16,132</u>
Total Program Expenses	<u>3,827,549</u>
Program Revenue	
License and Permits	36,527
Federal Grants	918
State Grants	3,625,024
Contributions From Local Units/Other	821,345
Charges for Services	589,314
Investment Earnings	12,108
Reimbursements/Miscellaneous	<u>100</u>
Total Program Revenue	<u>5,085,336</u>
Net Program Revenue	<u>1,257,787</u>
General Revenue	
Gain on Equipment Disposal	<u>4,000</u>
Total General Revenue	<u>4,000</u>
Change in Net Assets	1,261,787
Net Assets	
Beginning of Year	<u>5,875,169</u>
End of Year	<u><u>\$ 7,136,956</u></u>

See Notes to Financial Statements

ANTRIM COUNTY ROAD COMMISSION  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2004

	<u>General Operating Fund</u>
ASSETS	
Cash Demand and Time Deposits	\$ 585,958
Investments	115,281
Accounts Receivable:	
Due from State	615,429
Due on county Road Agreements	2,354
Sundry	71,815
Inventories	
Road Materials	337,279
Equipment Parts and Materials	60,394
Prepaid Expenses	<u>31,191</u>
 TOTAL ASSETS	 <u><u>\$ 1,819,701</u></u>
 LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts Payable	\$ 58,278
Accrued Liabilities	20,257
Advances from Governmental Units	179,731
Deferred Revenue - Forest Road Funds	<u>102,211</u>
 TOTAL LIABILITIES	 360,477
FUND EQUITY	
Fund Balance	
Undesignated	<u>1,459,224</u>
 TOTAL FUND EQUITY	 <u>1,459,224</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u><u>\$ 1,819,701</u></u>

See Notes to Financial Statements

ANTRIM COUNTY ROAD COMMISSION  
Reconciliation of Fund Balances on the Balance Sheet  
to the Statement of Net Assets  
DECEMBER 31, 2004

Total Governmental Fund Balance	\$1,459,224
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Capital assets at cost	12,589,811
Accumulated depreciation	(5,899,974)

Accrued interest on bonds payable is not included as a liability in the funds	(1,134)
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Long Term Debt - bonds payable not due and payable in current period and is not reported in the funds	(810,000)
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Vested Employee Benefits Payable are not due and payable in the current period and are not reported in the funds	<u>(200,971)</u>
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Net Assets of Governmental Activities	<u><u>\$7,136,956</u></u>
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ANTRIM COUNTY ROAD COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2004

	General Operating Fund
REVENUES	
Licenses and Permits	\$ 36,527
Federal Grants	918
State Grants	3,625,024
Contributions From Local Units	821,345
Charges for Services	589,314
Interest and Rents	12,108
Other Revenue	4,100
	<hr/>
TOTAL PROGRAM REVENUE	5,089,336
	<hr/>
EXPENDITURES	
Public Works	5,281,980
Net Capital Outlay	259,958
Debt Service	199,998
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TOTAL EXPENDITURES	5,741,936
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EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(652,600)
	<hr/>
FUND BALANCES, BEGINNING OF YEAR	2,111,824
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FUND BALANCES, END OF YEAR	\$ 1,459,224
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See Notes to Financial Statements

ANTRIM COUNTY ROAD COMMISSION  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balance of Governmental Funds  
to the Statement of Activities  
FOR THE YEAR ENDED DECEMBER 31, 2004

Net Change in Fund Balances - Total Governmental Funds	(\$652,600)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - Capital Outlay	2,334,588
Deduct - Depreciation Expense	(596,169)

Repayment of bond principal is an expenditure in the governmental fund but reduces long-term liabilities in the Statement of Net Assets	185,000
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Vested employee benefits payable do not require the current use of financial resources and are not reported as expenditures in the fund statements

Deduct - increase in vested employee benefits	(7,898)
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Accrued interest on bonded debt does not require the current use of financial resources and is not reported as an expenditure in the fund statement

Deduct - increase in Accrued interest payable	(1,134)
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Change in Net Assets	<u><u>\$1,261,787</u></u>
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ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Antrim County Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Antrim County road commission.

REPORTING ENTITY

The Antrim County Road Commission, which is established pursuant to the County road Law (MCL 224.1), is governed by a 3 member board of county road commissioners appointed by the county board of commissioners. The road commission may not issue debt without the County's approval and property tax levies for road purposes are subject to county board of commissioners' approval.

The criteria established by the governmental Accounting Standards Board (GASB) Statement NO. 14, "The Financial Reporting entity," for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Antrim County Road Commission, a discretely presented component unit of Antrim County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county, which are earmarked by law for street and highway purposes. The board of County road commissioners is responsible for the administration of the Road Commission Operating Fund.

Basis of Presentation - Government-Wide financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the Antrim County Road commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the road commission's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenue.

Basis of Presentation - Fund Financial Statements

Separate financial statements are provided for the operating fund (governmental fund). The operating fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement focus/Basis of Accounting - Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include: (1) charges to customer or applicants for goods or services or privileges provided; (2) Michigan transportation funds, State/Federal contracts and township contributions. Internally dedicated resources are reported as general revenue rather than as program revenue.

Measurement Focus/Basis of Accounting-Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Inventories

Inventories are priced at cost as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations, as used.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in both the government-wide and fund financial statements.

ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items), are reported in the operating fund in the government-wide financial statements. Capital assets are defined by Antrim County Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB 34. The Antrim County Road Commission has capitalized the current year's infrastructure, as well as the prior year's, as required by GASB 34, and has reported the infrastructure in the statement of net assets. The road commission will retroactively capitalize the major infrastructure assets on or before December 31, 2006, as permitted by GASB 34.

Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years	Shop Equipment	10 years
Road Equipment	5 to 8 years	Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years	Infrastructure - Roads	8 to 30 years
Infrastructure - Bridges	12 to 50 years		

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the operating fund statement of net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting - The County Road Commission follows the requirements of the Uniform Budgeting and Accounting Act, Michigan Public Act 621 of 1978, in the preparation and execution of its annual general appropriations act. Any violations are disclosed in audits of the County Road Commission financial statements as required by law. The budgets are amended as appropriate throughout the year and lapse at year end.

ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004

**NOTE B - EXCESS EXPENDITURES OVER APPROPRIATIONS**

Public Act 621 of 1978, section 18 (1), as amended, provides that a County Road Commission shall not incur expenditures in excess of amounts appropriated. As presented in the financial statements for the year ended December 31, 2004 the County Road Commission incurred expenditures in certain areas which were in excess of the amounts budgeted as follows:

<u>Function</u>	<u>Total Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Local Road:			
Heavy Maintenance	\$ 1,375,000	\$ 1,395,086	\$ (20,086)

The above line item was spent in excess of its respective budgeted amounts but total expenditures did not exceed the total budgeted amount.

**NOTE C - CASH AND INVESTMENTS**

The balance sheet accounts and types of cash items are presented below:

<u>Balance Sheet Accounts</u>	<u>Amount</u>	<u>Cash Items</u>	<u>Amount</u>
Imprest cash	\$ 100	Imprest cash	\$ 100
Cash demand and time deposits	585,858	Savings and checking	
Investments	115,281	accounts	585,858
		Investments	115,281
Total	<u>\$ 701,239</u>		<u>\$ 701,239</u>

**DEPOSITS** - At year-end the carrying amount of the road account deposits was \$585,858 and the bank balance was \$702,329. These funds are 40.5% insured by the Federal Deposit Insurance Corporation.

**Investments** - Act 217, PA 1982, authorized the commission to deposit and invest in the following:

- (a) bonds and other direct obligations of the United States or its agencies
- (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the National Credit Union Administration that are eligible to be depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146)
- (c) commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time
- (d) United States government or Federal agency obligation repurchase agreements
- (e) bankers' acceptance of United States banks
- (f) mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004

NOTE C - CASH AND INVESTMENTS (CONTINUED)

The following investments are considered mutual or trust funds:

	<u>Carrying Value</u>	<u>Market Value</u>
Investments held by:		
Merrill Lynch Governmental Securities Fund	<u>115,281</u>	<u>115,281</u>
	<u>\$ 115,281</u>	<u>115,281</u>

The above investments were the road commission's share of investment pools which were made up of U.S. Treasury, Agencies, and instrumentalities, commercial paper, banker's acceptances, repurchase agreements and reverse repurchase agreements which were not in the name of the Commission. These are considered investment pools and are not required to be categorized as to investment risk. They are uninsured investments.

NOTE D- POST EMPLOYMENT HEALTH CARE BENEFITS

The road commission provides post retirement health care benefits to all employees who retire from the road commission. Any employee retiring after 7/1/89, who has completed at least ten years of service and is eligible for retirement will have \$150 per month contributed towards the employee and spouse coverage. Effective for retirees retiring after July 1, 1999 the commission contribution will be \$200 per month and effective July 1, 2003 \$250 per month. There were 24 employees receiving benefits with an approximate annual cost of \$55,200.

NOTE E - STATE EQUIPMENT PURCHASE ADVANCE/STATE HIGHWAY MAINTENANCE ADVANCE

State equipment purchase advance is determined by a formula applied to the book value of equipment of the previous fiscal year. This amount is adjusted each fiscal year in accordance with the formula and would be refunded to the State Department of Transportation upon termination of the State Highway Maintenance Contract. At December 31, 2004 the amount was \$134,566.

During 2004 the State had advanced \$45,165 on the routine maintenance agreement which would be refunded to the State Department of Transportation upon termination of the contract.

NOTE F - FEDERAL REVENUE/EXPENDITURES

All Federal dollars recorded by the Antrim County Road Commission in 2004 were for projects controlled by the Michigan Department of Transportation. Federal compliance testing of these funds will be included in the audit of MDOT and not at the local road commission level. No A-133 Single audit is required for the Antrim County Road Commission.

ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004

NOTE G - CAPITAL ASSETS

The following is a summary of changes in the capital assets:

	Balance 1/1/04	Additions	Disposals	Balance 12/31/04
Capital assets not being depreciated:				
Land	\$ 58,250	\$ -	\$ -	\$ 58,250
Infrastructure and Land Improvements	743,723	706,078		1,449,801
	801,973	706,078	-	1,508,051
Capital assets being depreciated:				
Buildings	2,183,323	275,219	-	2,458,542
Equipment - Road	4,863,486	477,607	115,375	5,225,718
Equipment - Shop	112,209	1,478	-	113,687
Equipment - Office	104,317	-	-	104,317
Equipment - Engineering	46,423	-	-	46,423
Equipment - Yard & Storage	921,609	5,964	-	927,573
Infrastructure - Bridges	37,420	59,745	-	97,165
Infrastructure - Roads	1,299,838	808,497	-	2,108,335
Subtotal	9,568,625	1,628,510	115,375	11,081,760
Accumulated Depreciation:				
Buildings	530,152	60,530	-	590,682
Equipment - Road	4,010,625	356,572	115,375	4,251,822
Equipment - Shop	87,338	6,462	-	93,800
Equipment - Office	75,896	8,280	-	84,176
Equipment - Engineering	37,325	3,799	-	41,124
Equipment - Yard & Storage	641,265	64,667	-	705,932
Infrastructure - Bridges	748	3,206	-	3,954
Infrastructure - Roads	35,831	92,653	-	128,484
Subtotal	5,419,180	596,169	115,375	5,899,974
Net Capital Assets Being Depreciated	4,149,445	1,032,341	-	5,181,786
Total Net Capital Assets	\$ 4,951,418	\$ 1,738,419	\$ -	\$ 6,689,837



ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004

**NOTE H - PENSION PLAN**

Plan Description - Antrim County Road Commission participates in a defined benefit retirement plan administered by the Municipal Employee's Retirement System (MERS). The plan covers substantially all full-time employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996, allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a financial report, available to the public, that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, Michigan 48917. The most recent report for which actuarial data was available was for the fiscal year ended December 31, 2003.

All full time county road union and administrative employees are eligible to participate in the system. Benefits vest after ten years of service. Union employees who retire at or after age 60 with 10 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.0 percent of the member's 5-year final average compensation per year of service. Administrative employees who retire at or after age 60 with 10 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5 percent of the member's 3-year final average compensation per year of service. The system also provides death and disability benefits which are established by State Statute.

Participating county road employees are not required to contribute to the system. The county road is required to contribute the amounts necessary to fund the Michigan Municipal Employees Retirement System using the actuarial basis specified by statute.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%, (a) inflation, and (b) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit and (c) the assumption that benefits will increase 2.5% annually after retirement.

All entries are based on the actuarial methods and assumption that were used in the December 31, 2003 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004

NOTE H - PENSION PLANS (CONTINUED)

GASB 25 INFORMATION (as of 12/31/03)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 4,450,609
Terminated employees not yet receiving benefits	71,739
Current employees:	
Accumulated employee contributions including allocated investment income	288,950
Employer financed	<u>3,800,314</u>
Total Actuarial accrued liability	8,581,612
Net Assets Available for Benefits, at actuarial value (Market Value is 5,602,041)	<u>6,135,137</u>
Unfunded (over funded) actuarial accrued liability	<u>\$ 2,446,475</u>

GASB 27 INFORMATION (as of 12/31/03)

Fiscal year beginning	January 1, 2005
Annual required contribution (ARC)	\$ 257,808
Amortization factor used	0.053632

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2003 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost

<u>Year Ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	\$ 185,756	100%	-0-
2002	187,833	100%	-0-
2003	202,566	100%	-0-

The County Road Commission was required to contribute \$232,764 for the year ended December 31, 2004. Payments were based on contribution calculations made by MERS.

ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004

NOTE H - PENSION PLANS (CONTINUED)

<u>Actuarial Valuation Date December 31</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % Of Covered Payroll</u>
2001	5,999,665	6,787,040	787,375	88%	1,313,027	60.0%
2002	5,966,187	8,111,792	2,145,605	74%	1,375,388	156.0%
2003	6,135,137	8,581,612	2,446,475	71%	1,473,780	166.0%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997 and 2000 valuations. The funding method was changed to entry age normal for the 1993 valuation.

NOTE I- RISK MANAGEMENT

Antrim County Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan which authorize contracts between Municipal Corporations (inter-local agreements) to form group self-insurance pools.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverage, vehicle liability coverage, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Antrim County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, vehicle and equipment liability, bodily injury, property damage and personal injury liability. The Pool agreement provides that it shall be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance based upon limits determined by the Pool Board of Directors.

The road commission is also self-insured for worker's compensation as a member of the County Road Association Self Insurance Fund.

NOTE J - LONG-TERM DEBT

The long-term debt of the road commission is summarized as follows:

	<u>Balance 01/01/2004</u>	<u>Additions (Reductions)</u>	<u>Balance 12/31/2004</u>
Bonds Payable	\$ 995,000	\$ (185,000)	\$ 810,000
Compensated Absences	\$ 193,073	\$ 7,898	\$ 200,971
Total	<u>\$ 1,188,073</u>	<u>\$ (177,102)</u>	<u>\$ 1,010,971</u>

The annual debt service requirements to maturity for bonds payable as of December 31, 2004 is summarized as follows:

ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004

NOTE J - LONG-TERM DEBT (CONTINUED)

The Michigan Transportation Fund Notes, Series 2003 were used for the purpose of renovation and reconstruction of the Mancelona garage.

Michigan Transportation Fund Notes, Series 2004

Date of Issue: July 1, 2004

Original Amount: \$ 995,000

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal</u>	<u>Interest June 1</u>	<u>Interest December 1</u>	<u>Total</u>
1.50%	06/01/05	\$ 195,000	\$ 6,805	\$ 5,342	\$ 207,147
1.50%	06/01/06	\$ 200,000	\$ 5,343	\$ 3,842	\$ 209,185
1.70%	06/01/07	\$ 205,000	\$ 3,843	\$ 2,100	\$ 210,943
2.00%	06/01/08	\$ 210,000	\$ 2,100	\$ -0-	\$ 212,100
		<u>\$ 810,000</u>	<u>\$ 18,091</u>	<u>\$ 11,284</u>	<u>\$ 839,375</u>

Compensated absences are for accumulated personal, sick and vacation days. At December 31, 2004 the total accumulated liability was \$200,971.

## **REQUIRED SUPPLEMENTARY INFORMATION**

ANTRIM COUNTY ROAD COMMISSION  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Adopted Budget	Final Amended Budget	Actual	Variance With Final Budget
Licenses and Permits:				
Permits	\$ -	\$ -	\$ 36,527	\$ 36,527
Subtotal	-	-	36,527	36,527
Federal Aid:				
STP Funds	320,000	-	721	721
TED Funds	-	-	197	197
Subtotal	320,000	-	918	918
State Aid:				
Engineering	10,000	10,000	10,000	-
Allocation	2,920,000	3,300,000	3,300,061	61
Snow Removal	300,000	313,000	313,695	695
Economic Development Funds	430,000	100,000	1,268	(98,732)
Subtotal	3,660,000	3,723,000	3,625,024	(97,976)
Contributions				
Townships	800,000	900,000	744,098	(155,902)
Other	-	-	77,247	77,247
Subtotal	800,000	900,000	821,345	(78,655)
Charges for Services:				
State Trunkline Maintenance	503,000	640,000	589,314	(50,686)
State Trunkline Non-Maintenance	-	-	-	-
Subtotal	503,000	640,000	589,314	(50,686)
Interest				
Interest Income	-	-	12,108	12,108
Other Revenue:				
Miscellaneous (1)	125,000	125,000	100	(124,900)
Gain on Sale of fixed Assets	-	-	4,000	4,000
Subtotal	125,000	125,000	4,100	(120,900)
Total Operating Revenue	\$ 5,408,000	\$ 5,388,000	\$ 5,089,336	\$ (298,664)

(1) Budgeted Permits, Interest, Other - in total

See Notes to Financial Statements

ANTRIM COUNTY ROAD COMMISSION  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Adopted Budget	Final Amended Budget	Actual	Variance With Final Budget
Primary Road:				
Heavy Maintenance	\$ 1,250,000	\$ 186,000	\$ 179,234	\$ 6,766
Maintenance	950,000	1,100,000	1,009,342	90,658
Local Road:				
Heavy Maintenance	1,000,000	1,375,000	1,335,342	39,658
Maintenance	1,400,000	1,900,000	1,822,389	77,611
Local Road Structure:				
Heavy Maintenance	-	-	59,744	(59,744)
State Trunkline Maintenance	503,000	640,000	571,368	68,632
State Trunkline Non-Maintenance	-	-	-	-
Equipment Expense - Net:				
Direct			895,746	
Indirect			546,912	
Operating			155,057	
Less:				
Equipment Rental			(1,591,506)	
(1)	75,000	50,000	6,209	43,791
Administrative Expense - Net:				
Administrative Expense			357,214	
Less:				
Overhead - State Trunkline			(56,224)	
Purchase Discounts and Handling Charges			(2,638)	
(1)	300,000	300,000	298,352	1,648
Capital Outlay - Net:				
Capital Outlay			760,268	
Less:				
Depreciation			(500,310)	
(1)	75,000	400,000	259,958	(140,042)
Debt Service:				
Principal	185,000	185,000	14,998	170,002
Interest	15,000	15,000	185,000	(170,000)
Total Expenditures	\$ 5,753,000	\$ 6,151,000	\$ 5,741,936	\$ 409,064

See Notes to Financial Statements

## **SUPPLEMENTAL INFORMATION**



ANTRIM COUNTY ROAD COMMISSION  
ANALYSIS OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues and Other Financing Sources	\$ 2,140,719	\$ 2,311,426	\$ 637,191	\$ 5,089,336
Total Expenditures	1,270,437	3,439,186	1,032,313	5,741,936
Excess of Revenues Over (Under) Expenditures	870,282	(1,127,760)	(395,122)	(652,600)
Fund Balance - January 1, 2004	256,021	591,232	1,264,571	2,111,824
Optional Transfers	(583,854)	583,854	-	-
Fund Balance - December 31, 2004	<u>\$ 542,449</u>	<u>\$ 47,326</u>	<u>\$ 869,449</u>	<u>\$ 1,459,224</u>

See Notes to Financial Statements

ANTRIM COUNTY ROAD COMMISSION  
ANALYSIS OF REVENUES  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Licenses and Permits:				
Permits	\$ -	\$ -	\$ 36,527	\$ 36,527
Federal Aid:				
STP Funds	721	-	-	721
D Funds	197	-	-	197
State Aid:				
Engineering	5,897	4,103	-	10,000
Allocation	1,946,182	1,353,879	-	3,300,061
Snow Removal	184,986	128,709	-	313,695
Economic Development Funds	1,268	-	-	1,268
Contributions				
Townships	-	744,098	-	744,098
Other	-	77,247	-	77,247
Charges for Services:				
State Trunkline Maintenance	-	-	589,314	589,314
Interest				
Interest Income	1,468	3,390	7,250	12,108
Other Revenue:				
Miscellaneous	-	-	100	100
Gain on Sale of fixed Assets	-	-	4,000	4,000
Total Revenue	<u>\$ 2,140,719</u>	<u>\$ 2,311,426</u>	<u>\$ 637,191</u>	<u>\$ 5,089,336</u>

See Notes to Financial Statements

ANTRIM COUNTY ROAD COMMISSION  
ANALYSIS OF EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road:				
Heavy Maintenance	\$ 179,234	\$ -	\$ -	\$ 179,234
Maintenance	1,009,342	-	-	1,009,342
Local Road:				
Heavy Maintenance	-	1,335,342	-	1,335,342
Maintenance	-	1,822,389	-	1,822,389
Local Road Structure:				
Heavy Maintenance	-	59,744	-	59,744
State Trunkline Maintenance	-	-	571,368	571,368
Equipment Expense - Net	1,378	3,842	989	6,209
Administrative Expense - Net	80,483	217,869	-	298,352
Capital Outlay - Net	-	-	259,958	259,958
Debt Service				
Interest	-	-	14,998	14,998
Principal	-	-	185,000	185,000
Total Expenditures	<u>\$ 1,270,437</u>	<u>\$ 3,439,186</u>	<u>\$ 1,032,313</u>	<u>\$ 5,741,936</u>

See Notes to Financial Statements



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

February 21, 2005

Board of County Road Commissioners  
Antrim County  
Mancelona, Michigan 49659

I have audited the component unit financial statements of the Antrim County Road Commission, a Special Revenue Fund of the County of Antrim, Michigan, as of and for the year ended December 31, 2004, and have issued my report thereon dated February 21 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government and Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Antrim County Road Commission's component unit financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Antrim County Road Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting, which I have reported to management of Antrim County Road Commission in a separate letter dated February 21, 2005.

This report is intended solely for the information and use of management, the Board of Road Commissioners, the Michigan Department of Treasury, and Michigan Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Thomas R. Zick, CPA P.C.", written in a cursive style.

THOMAS R. ZICK CPA, P.C.  
CERTIFIED PUBLIC ACCOUNTANT



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## FINANCIAL AUDIT COMMENTS

February 21, 2005

Board of County Road Commissioners  
Antrim County  
Mancelona, Michigan 49659

In planning and performing my audit of the component unit financial statements of Antrim County Road Commission, for the year ended December 31, 2004, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the component unit financial statements and not to provide assurance on the internal control structure. However, I noted certain matters that I feel should be brought to your attention as follows:

One budgetary line item was overspent in violation of PA 621. In total the actual expenditures did not exceed the budgeted amount.

There is not adequate segregation of duties in the accounting area. The individual who posts all journals and the general ledger also prepares checks and related disbursements journals, and also initiates all journal entries.

I recognize that with only two full time individuals working in the accounting area adequate segregation of duties is not only difficult but for all practical purposes impossible. The Board must recognize that all internal controls must be evaluated for cost effectiveness and at this point little can be done to increase the control without a considerable cost increase. The controls which could be added would have to be compared with the costs required to obtain those controls. By assigning the bank reconciliation procedures to another employee, considerable strengthening of internal accounting control has already occurred.

This report is intended solely for the information and use of the Antrim County Road Commission, its management, and the Michigan Departments of Treasury and Transportation and is not intended to be and should not be used by anyone other than these specified parties.

THOMAS R. ZICK CPA, P.C.  
CERTIFIED PUBLIC ACCOUNTANT